

Surface Examination Report
Orderville, Muddy Creek Gemstone Leases:
ML-19890 & ML-41355
May 10, 1996

Date of Inspection: April 29, 1996

Persons Present: William M. Stokes, Minerals
Robert G. Pruitt III
Mark Johnson, Sublessee

5/025/006

Conditions: Warm and Sunny

Lands: T. 40 S., R. 7 W., Section 31, Lots 1-9, 14-16, E $\frac{1}{2}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ SW $\frac{1}{4}$ (W $\frac{1}{2}$) ML-41355
T. 40 S., R. 8 W., Section 36, E $\frac{1}{2}$ NW $\frac{1}{4}$, ML-19890

Purpose: This inspection was performed to insure that the sublessee had complied with production and royalty requirement on ML-41355 before the end of the lease year (April 30, 1996) and insure that the sublessee had conducted sufficient surface reclamation to bring the total mine related disturbances to below the five acre limit allowed under a small mining plan.

Summary and Conclusion: On the day of the inspection Mr. Johnson was on-site excavating septarian nodules to satisfy the production and royalty payment requirement by the end of the lease year (April 30, 1996). To date he has not submitted a royalty payment report for the lease year. An examination of the various mining sites revealed unreclaimed acreage at approximated 4.02 acres.

The following is a brief update of surface condition at the time of this surface inspection. Areas referenced are the same areas as reported in Mr. Tom Munson's (DOGM) report of November 22, 1995, which addressed surface conditions at the time of his November 21, 1995 surface examination. See attached map for location of each area.

Area 1 Most of this area had been regraded and re-seeded except for a small pit, which was filled with water, measuring approximately 135 feet by 60 feet; .18 acres, remains unreclaimed. See photograph # 1. Mr Johnson choose not to fill the unreclaimed pit area as it would be the site of future excavation. See accompanying summary of reclaimed areas which are an update of Mr. Munson's November 22, 1995 summary report.

Area 2 As with area 1 most of this area had been regraded and re-seeded. There also remains a water filled pit on area 2 which Mr. Johnson left open for future mining. The unreclaimed area is approximately 117 feet by 135 feet, or approximately .36 acres. See photograph # 2 and summary of reclamation.

Area 3 This is the site where Mr. Mike Caruso was mining on the Johnson sublease ML-41355. This is also the area from which Mr. Johnson was removing nodules on the date of this inspection. There has been no additional reclamation on this site since Mr. Munson's inspection

of November 21, 1995. The unreclaimed area remains at 3.27 acres. Mr. Johnson will re-contour and re-seed a portion of this area in the fall of 1996. A track-hoe belonging to Mr. Mike Caruso remains on the site. See photograph # 3 and summary of reclamation. Photographs # 4 and 5 show discarded oil drums and oil spills that remain on the property.

Area 4 This area lies on ML- 19890 and is referred in Mr. Munson's November 22 1995, report as the "Dogleg" area. There has been no additional reclamation on area # 4. Un-reclaimed disturbance remains at .2 acres. See photograph # 7 and summary of reclamation.

Area 5 Area 5 is adjacent to Federal land on which Mr. Rex Harris was conducting mining operations in 1995. Mr Harris was removing nodules along the boundary between Trust lands and his unpatented mining claims in the S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 25, T. 40 S., R. 8 W. and deposited the overburden on Trust lands along the northern boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 36, T. 40 S., R. 8 W, which is held by ML-19890. Mr. Harris used this overburden to fill and reclaim an excavation created by Mark Johnson on ML-19890. Presently area # 5 can be considered regraded and re-seeded thus there remains no unreclaimed land in area # 5. See photograph # 8. There is also a bulldozer which is apparently the property of Mr. Mike Caruso parked on Leasehold ML-19890. A new road apparently created by Mr. Harris traverses a portion on the lands held under ML-19890. See photograph # 9 and summary of reclamation.

Area 1 Reclaimed and released - 1.18
Regraded - 1.32
Not reclaimed .18

Area 2 Reclaimed and released - 0.0
Regraded - 4.11
Not reclaimed - .36

Area 3 Reclaimed and released - 0.0 1.27
Regraded - 0.0
Not reclaimed - ~~3.27~~ 2.00

Area 4 Reclaimed and released - 0.0
Regraded - .59
Not reclaimed - .2

Area 5 Reclaimed and released - 0.0
Regraded .18
Not reclaimed 0.0

Total Reclamation of Disturbed Areas on ML-19890 and ML 41355

Reclaimed and released - 1.18
Regraded - 6.2
Not Reclaimed - 4.01
1.27



Photo # 1. Looking north from the south end of the unreclaimed pit on Area # 1. Note furrowed surface with re-seeded grass growing in the furrows. Arrow # 1 shows the location of Area # 2 and arrow # 2 shows the location of Area # 3.

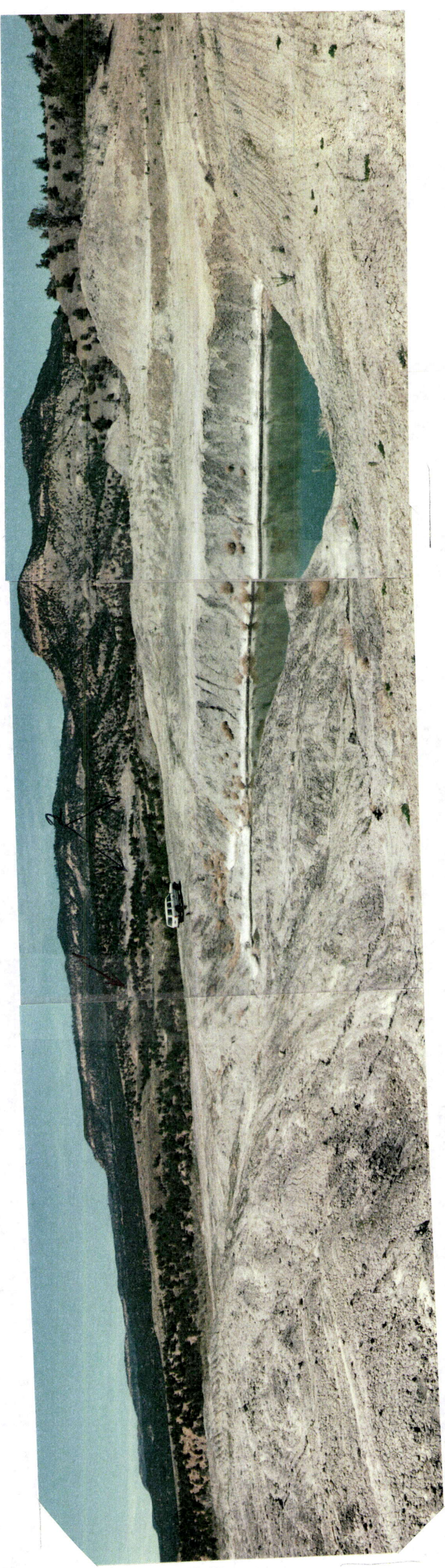


Photo # 2. Looking west from the east side of the unreclaimed pit on Area # 2. Note furrowed surface with re-seeded grass growing in the furrows. Arrow # 1 shows the locations of Areas # 4 & 5. Arrow # 2 shows the location of disturbances created by Mr. Rex Harris on his unpatented lode mining claims on Federal land.

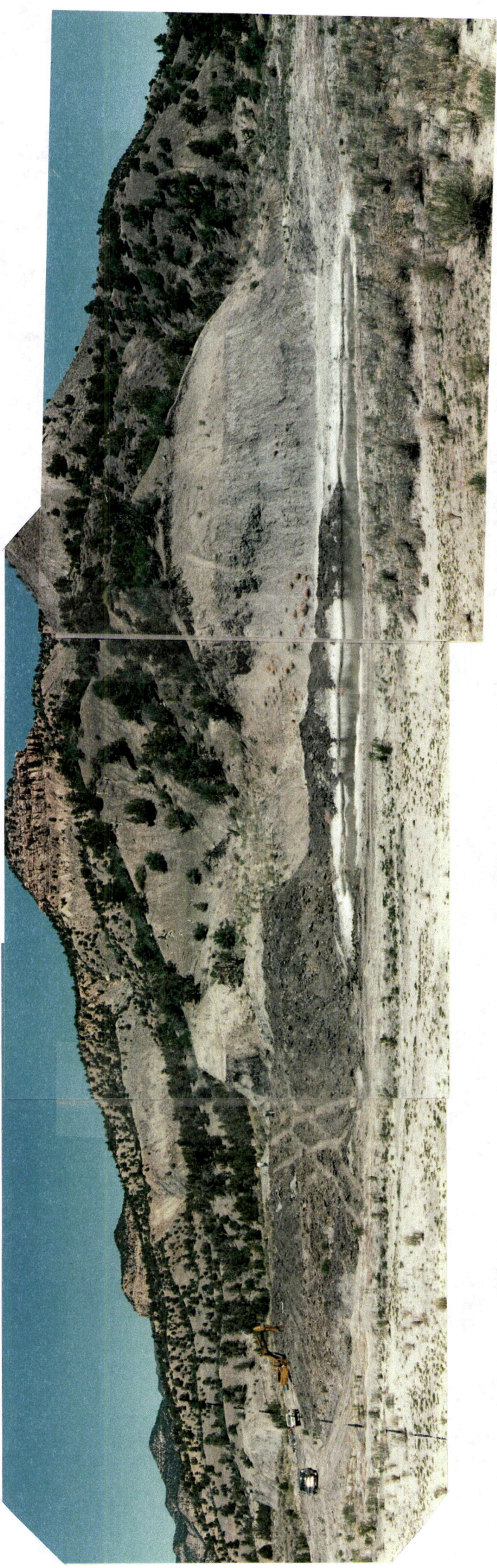


Photo # 3. Looking north onto area # 3 which is the site from which Mark Johnson was excavating nodules on the morning of April 29, 1996. There has been no reclamation performed on this site. The track-hoe that is depicted belongs to Mr. Mike Caruso who was removing nodules from ML-41355 with only the verbal consent of the sublessee. Mr. Johnson will reclaim part of this site in the fall of 1996. The dashed line represents the west boundary line of ML-41355.



Photo. # 4 & 5. Discarded oil drums, other oil containers and oil spills on lands held under ML-41355.



Photo. # 6. Looking northeast onto old excavation in area # 4. This area is referred to in the Munson, November 22, 1995 report as the Dogleg area.



Photo. # 7. Looking east along the boundary line between the Harris unpatented mining claims on Federal land, to the left of the dashed line, and on Trust lands to the right of the dashed line. Arrow # 1 indicates the position of one of the Harris claim corner monuments. Arrow # 2 shows the approximate position of the refilled pit that was created by Mark Johnson as part of mining operations on area # 5. Note the bulldozer parked on Trust lands. This bulldozer is believed to belong to Mike Caruso who was mining for Rex Harris.



Photo. # 8. Looking south from near the bulldozer as seen in photo. # 7 onto a newly opened road across lands encompassed in ML-19890. This road was totally revegetated and it is believed that it was reopened by Rex Harris.

As per surface examination conducted April 29, 1996
ML-41355 & ML-19890 ONLY

Refer to report text for description of each site location

